



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2717 (1965)
December 18, 1992

SUBJECT: Assumption of Soil and Water Loans Where Total
Indebtedness Exceeds \$50,000

TO: State Directors, District Directors and County
Supervisors

ATTN: Farmer Programs Chiefs and Loan Underwriting Staffs

PURPOSE/INTENDED OUTCOME:

This An explains the approval of assumptions of FmHA Soil and Water (SW) loans when the unpaid balance of the SW loan exceeds the loan limit of \$50,000.

COMPARISON TO PREVIOUS AN:

There has been no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES:

The Consolidated Farm and Rural Development Act of 1990 prohibits approval of an SW loan of more than \$50,000. However, some FmHA borrowers have SW loans that exceed these limits for a number of reasons including interest accrual, protective advances, or previously higher loan limits. This has become a concern because assumption of an SW loan by an applicant is a popular option when a borrower has to dispose of their property due to death, divorce, illness, or financial hardship.

SW loans with an unpaid balance of \$50,000 or less can be assumed as SW loans. But, for assumption purposes, an SW loan with an unpaid balance that exceeds \$50,000 is considered to be a loan type that is no longer being made. Therefore, assumption of an SW loan of more than \$50,000 may be approved in accordance with Section 1965.27(c)(1)(iii) of FmHA Instruction 1965-A. If the applicant is determined eligible and the unpaid balance of the SW loan is more than \$50,000 but not more than \$200,000, the assumption would be reclassified

EXPIRATION DATE: October 31, 1993

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1965-A



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Secretary of Agriculture, Washington, D.C. 20250

as an "FO" loan at closing and scheduled on eligible rates and terms. If the unpaid balance is over \$200,000, an assumption will be closed as a nonprogram loan at ineligible rates and terms.

Applications will need to be processed within the underwriting guidelines of your State. The case file should document and explain why the loan balance exceeds the loan limit and why the assumption is the best way to complete the sale. As usual, an adequate appraisal will be required.

If you have any questions, you may call Phillip Elder, Farmer Programs Loan Servicing and Property Management Division, at FTS (202) 690-4020.

A handwritten signature in dark ink, appearing to read "La Verne Ausman". The signature is fluid and cursive, with a large initial "L" and "A".

LA VERNE AUSMAN
Administrator